

**Regional Activity to Promote Integration Through  
Dialogue and Policy Implementation (RAPID)**



# **ACTIVE INITIATIVES ON RAILWAYS OF THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY**

**Jit Sondhi**

Transportation and Economic Research Associates, Inc. (TERA)

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Chemonics International

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## EXECUTIVE SUMMARY

**Objectives:** SADC Governments and railways receive support for the development of railway systems through diverse sources. Railways are also in different stages of the reform process in line with the Protocol. This paper seeks to provide status of active railway initiatives in order to provide the correct perspective of the focus and level of support each railway is currently receiving and the stage of railway reform. This would help interested donors as well as the regional institutions to understand better the current status of ongoing investments and structural changes on railways and select productive areas for further support to individual railways and the SADC regional railway system.

**Active Initiatives:** The table at pages 5-6 provides a summary of active railway initiatives for each railway as at the end of 2000 and the status of railway reform as in March 2001.

**Conclusions:** By and large donor funding for infrastructure and operational improvements has dried up except for residual elements of old projects that also are closing during the current year. The only exceptions are funding of the Northern Line Extension in Namibia and infrastructure improvement projects on TAZARA. It is noted that in recent years there is a distinct shift in the focus of external assistance to railways in the region from investments in infrastructure and operational improvements to support of privatization, funding for staff rationalization and measures for integration of rail services.

A review of the progress made in respect of railway reform in Member States shows that not all have taken steps towards privatization of railways. Furthermore, the railway concession process where started has moved at rather a slow pace. The main factors for no or slow implementation of railway reform policy enshrined in the protocol appears to be the lack of clear political support for privatization of railways and reduction in employment opportunities. It is noted that considerable delays took place at various stages of the railway concession process.

Several railways in the region have carried out down sizing of staff strength in recent years (BR, Malawi Railway, Spoornet, TRC, TAZARA, ZR and NRZ). However, the staffing levels will need to come down further to improve productivity and financial performance of railways. In view of the human and social impact of the process it is essential that this be managed with care and in a planned manner.

**Recommendations:** Financially viable and efficiently run railways are a prerequisite for obtaining an integrated rail network. This condition will be met when railways are privatized and operated efficiently on the basis of new investment and private sector management style and culture. For this to happen, States must generate political support for speedy railway reform as per the agreed terms of Protocol.

Rail privatization process must be accelerated to achieve the overall objectives for the transport sector that impact the competitiveness of regional and international trade of SADC Member States. Rail privatization would succeed if adequately supported by measures that will provide a reasonable safety net for surplus staff. This includes generous compensation and measures for redeployment and retraining of affected staff. External funding is likely to be available to support such initiatives.

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**Active Initiatives on Railways of**  
**Southern African Development Community**

**1. Introduction**

**1.1 RAPID Activity**

RAPID (Regional Activity to Promote Integration Through Dialogue and Policy Implementation) is an initiative hosted by RCSA (The Regional Center for Southern Africa of the USAID) as part of its development assistance program to Member States within SADC (Southern African Development Community).

RAPID is designed to provide quick-response, short-term technical services to support policy analysis, policy dialogue, and the implementation of policy changes within SADC Member States. Within this context, RAPID offers assistance to SADC Member States to pursue regional market integration.

Transport plays a critical role in the integration of regional markets. This role is clearly recognized in the SADC Protocol on Transport, Communications and Meteorology which calls on Member States to “establish transport, communications and meteorology systems which provide efficient, cost-effective and fully-integrated infrastructure and operations, which best meet the need of customers and promote economic and social development while being environmentally and economically sustainable.” (Article 2.3).

Task order of RAPID (Task Order 2.1) provides technical support to SADC Member States as they re-position the infrastructure and operations of their transport portfolios, in terms of the Protocol as stated above.

National railways are a strategic part of each Member States’ transport portfolio. Viewed collectively, SADC’s railway system has the potential of an efficient, cost effective, and seamless regional railway service, and one that can not only compete with road transport services but also make exports more competitive.

To achieve this, however, and in terms of the Transport Protocol, Member States are required to commit to an economic and institutional restructuring of their railways. This includes granting railway service providers autonomy, increasing private sector involvement in the national railway, enhancing the operational efficiency of the national railway, and promoting the establishment of integrated transport systems. The Protocol calls on the Governments of the Member States to expand and strengthen capacity to develop, implement and monitor supportive railway policy, legal and regulatory frameworks.

## **1.2 Objective of the paper**

SADC Governments and railways receive support for the development of railway systems through diverse sources that include multilateral lending agencies and bilateral lenders and donors. Railways are also in different stages of the reform process in line with the Protocol. This paper seeks to provide status of active railway initiatives in order to provide the correct perspective of the focus and level of support each railway is currently receiving and the stage of railway reform. This would help USAID and other interested donors as well as the regional institutions to understand better the current status of ongoing investments and structural changes on railways and select productive areas for further support to individual railways and the regional railway system.

## **1.3 Role of SATCC-TU and SARA**

In the context of railways in the SADC region, Southern Africa Transport and Communications Commission Technical Unit (SATCC-TU) based in Maputo and Southern African Railways Association (SARA), based in Harare are important regional institutions. They support and promote the objectives of the SADC Protocol on Transport, Communications and Meteorology. SATCC-TU focuses on transport sector policy issues while SARA focuses on issues related with operational efficiency of rail corridors, interchange and fair competition between rail and road transport.

As regional institutions, SATCC-TU and SARA are valuable partners of RAPID Activity. Both are expected to play an important role in policy development and implementation at regional level and promoting and obtaining an integrated and efficient rail transport system for the region. The ongoing initiatives at these two regional institutions have also been included in this document.

## **2. Active Railway Initiatives**

Each railway of the SADC region was requested to provide information on active railway initiatives through a questionnaire (Annex 1). All railways except Angola (CFB), South Africa (Spoornet) and Swaziland responded and provided information on the current investment projects. Annex 2 thru 15, summarize the data furnished by railways, SARA and SATCC-TU.

### **2.1 Summary of Active Railway Initiatives**

The table below provides a summary of active railway initiatives for each railway as at the end of 2000 and the status of railway reform as in March 2001.

### Active Railway Initiatives in the SADC Region

| <b>Railway</b>      | <b>Current Railway Initiatives<br/>(01 January 2001)</b>  | <b>Status of Privatization<br/>( March 2001)</b>  | <b>Remarks</b>   |
|---------------------|---|---|--|
| <b>Angola</b>       | Data not furnished  | Not available   | No externally funded projects are currently active   |
| <b>Botswana</b>     | China (US\$ 22 m) for Infrastructure Rehabilitation   | No current initiative for private sector participation. Internal restructuring in progress.   | Chinese project completed in March 2001. No externally funded projects are currently active  |
| <b>Congo</b>        | None  | Not available   | No externally funded projects are currently active   |
| <b>Malawi</b>       | Concessionaire is funding improvements to infrastructure  | Concessioned in December 1999   | CEAR is funding infrastructure and operational improvements  |
| <b>Mozambique</b>   | World Bank (US\$ \$100m) mainly for funding cost of staff retrenchment<br>USAID (US\$ 50m) for Rehabilitation of Limpopo line   | CFM (S), concession awarded for Limpopo and Goba lines but not yet effective;<br>CFM N, concession negotiated but not yet effective   | World Bank loan, mainly to support staff rationalization. USAID support for rehabilitation of flood damage.                        |
| <b>Namibia</b>      | BADEA, Kuwait Fund and African Development Bank (US\$ 46.5m) for Northern line extension.   | Internal restructuring in progress. No current initiative for private sector participation  | No externally funded project on the existing railway. Northern line extension partly funded.                                       |
| <b>South Africa</b> | Data not furnished  | Consultant's recommendations on restructuring under review and a privatization plan under preparation   |  |
| <b>Swaziland</b>    | Data not furnished  | A railway restructuring options study funded by GTZ is planned in 2001  |  |
| <b>Tanzania</b>     | World Bank (\$76m) for Transport Rehabilitation Project, The U.K. (Stg 2.1m) for Rehabilitation of Shunting Locomotives and Germany (US\$ 8m) for Railway Telecommunication Project | Recommendations of privatization options study under consideration of the government for over a year. Current target for award of concession(s) mid 2002  | All externally funded projects are ending in 2001.   |
| <b>TAZARA</b>       | China (US\$ 24m) for Concrete Sleeper Plant, rehabilitation of telecom system and installation of microwave system.<br>Austria (US\$ 30m) for welding of rails                      | Agreement between the governments of Tanzania and Zambia that TAZARA be privatized. A Chinese consulting company appointed to recommend options. Further steps would be taken after the Governments of Tanzania and Zambia receive and review the consultant's recommendations. | These projects end in 2001 and 2002.   |
| <b>Zambia</b>       | SIDA (US\$ 4.8m) for railway restructuring and privatization<br>WB (US\$ 27m) for railway restructuring   | Recommendations of options study received in mid 1999. Issue of bid invitation for concessions delayed and now expected in May 2001. Current target for concession mid 2002.  | SIDA assistance ends September 2001. WB loan mainly for staff rationalization. A small allocation for urgent track rehabilitation. |

|                 |  |   |   |
|-----------------|--|---|---|
| <b>Zimbabwe</b> | African Dev. Bank (US\$ 6m) for replacement of CTC   | BBR, a BOT Concession. A concession format for NRZ under development, progress on privatization only after cabinet approval | ADB loan closes in 2001.                                |
| <b>SARA</b>     | AUSTRIA (US\$ 0.15m) for training on track maintenance   |   | Ends 2002<br>Also receives support under RAPID and RSIS |
| <b>SATCC-TU</b> | African Dev. Bank (US\$ 2m) for Technical Assistance, European Community (ECU 4m) for Capacity Building, GTZ ( US\$ 1m) for Railway Training , Dev. Bank of South Africa (R 0.5m) and the World Bank (US\$ 0.2m) for support for Transport Investors Forum and studies |   | Also receives support under RAPID                       |
| <b>Regional</b> | USAID RSIS US\$ 12.1 million<br><br>USAID RAPID US\$ 30 million  |   | RSIS, expected completion 2002<br>RAPID, 2000-2005      |

## 2.2 Railway Reform

Information with respect to progress in the reform of railways was obtained through visits to some of the railways, and contact and discussion with officials of SARA, SATCC-TU and donor agencies. The status as in March 2001 is given below.

**Botswana Railways (BR)** carried out an internal restructuring in years 1995 – 1997. As a result, its operational and financial performance improved significantly and between 1997 and 1999 it made profits. It returned an operating profit of Pula 29 million over a turnover of Pula 109 million in the year 1999. However, in the year 2000, it lost almost the entire transit traffic to Bulawayo Beitbridge Railway and that had an adverse impact on its financial performance and resulted in operational losses. It now proposes to take measures to improve productivity and right size its work force in the light of the reduced workload. Both BR and the Government of Botswana do not, for the present, have any plans for private sector participation or concessioning of the railway. BR continues to be a state owned parastatal.

Botswana is currently in the process of establishing a ‘Privatization Agency’. Government’s privatization policy states that “ the impetus for privatization has come from a desire to improve efficiency in the delivery of services, to raise the country’s growth potential by securing stronger flows of foreign direct investment and technology transfer...”. Furthermore, Botswana believes that “serious

consideration will be given to where the private sector should take over functions that can be performed more efficiently through the market mechanism”. Since a private sector operator would be able to manage the railway more efficiently, it is foreseen that in line with Botswana’s privatization policy, Botswana Railways would become a candidate for privatization in the medium term.

**Malawi Railway** was concessioned in December 1999 and is now operated as The Central East African Railways (CEAR) by a private sector company. CEAR is a joint venture between CFM and a consortium of investor companies (Sociedade Desenvolvimento do Corredor de Nacala). The companies participating in the consortium that hold 51% of equity of the joint venture, include Railroad Development Corporation of the US, Tertir of Portugal, Rennie Group of South Africa, Edlow Resources Limited and six Mozambiquan shareholder groups. The performance of the railway after concessioning, has improved and further growth in traffic is anticipated after already concluded concessions of Nacala port and railway line become effective. It is to be noted that Malawi Railway made substantial reduction in staff before it was concessioned. The cost of redundancies was funded largely by external donors.

**Mozambique Railways (CFM):** The concessions of the railways in Mozambique have been separated into three corridor specific parts comprising of south, central and south and cover ports as well as railways. CFM concluded concession contracts for Maputo port and CFM(South) except the Ressano Garcia line, in 1999. Consortium 2000 that signed the concession agreement for Limpopo and Goba lines (CFM-South), has not yet made the financial closure for the concessions, presumably due to damage caused to Limpopo line in the floods of year 2000. The concession of the Maputo port was concluded with Maputo Harbour Consortium (includes Liverpool Port Authority) but is not yet operational. The concession for Nacala port and railway line of CFM(North) was contracted in 2000 with the same concessionaire that operates Malawi Railways. This concession has also not become operational so far due to inability of concessionaire to organize funding and obtain financial closure. It is now expected that Maputo port concession would become operational in mid 2001 and that for Nacala corridor in late 2001. It is the perception that concessions would become operational only when the entire corridors ie port and railways, are privatized simultaneously. The delay in privatization of the Nacala port is holding up the activation of the concession on Nacala railway line. Similarly difficulties in the concessioning of the railways connecting to Maputo port is holding up operationalization of concessions for Maputo port. The stalemate on concession of Ressano Garcia line continues as there is still no agreement on terms between CFM and Spoornet, the entity selected for this concession. The concession of the CFM(Central), that connects Beira port with National Railway of Zimbabwe, is tied to the rehabilitation of the Sena line and its scope and format are currently under review. Beira port was concessioned in 1998 (container and general cargo terminals). In all the above concessions, Mozambiquan share holders have a substantial minority share in the joint ventures. In all cases, CFM has the

responsibility of meeting the cost of staff retrenchment. CFM has secured a loan of US\$ 100 million from the World Bank to partially fund these costs.

Although, CFM made an early start with the concession process of its railways and ports, it has not, for reasons stated above, been able to operationalize the port and railway concessions that were awarded except that for the Beira port. It is to be noted that in Mozambique, CFM and not the privatization agency, is managing the concessioning process.

**Namibia Railways (TNL)** has undergone several internal restructurings since its inception in 1990. Presently it operates as TNL, a company within a holding company called TransNamib Holdings Limited. The most recent restructuring removed the airline component from the holding company. TNL, however, continues to operate some road services. Its financial performance is marginal. It will, however, require substantial investments in the next five years or so to renew or replace its fixed and mobile assets.

The government of Namibia is currently not considering the option of private sector participation in TNL and is aiming to make the railway financially viable through improvement in its operational efficiency while retaining ownership by the government.

**South African Railways (Spoornet)** is part of Transnet, a state owned company. It is facing intense competition in freight transport from road operators and made a small net loss in year 1999. COALink, which carries 66 million tons of coal for exports a year, and OREX, that carries 23 million tons of iron ore for exports a year, form the backbone of Spoornet operations. Together they form the General Freight Business (GFB) Unit, which makes up 67.8 percent of R10 billion turnover of business for the company. Other units are the Main Line Passenger Service (MLPS) and LuxRail or Blue Train.

The government has accepted restructuring of state owned enterprises as a means of addressing the structure of country's economy. Ministry of Public Enterprises is driving the restructuring process. Recommendations of an independent consultant on restructuring options for Spoornet is currently under consideration of the government and a consultative process with Spoornet management and labour unions is under way. A government decision on Spoornet's restructuring is expected by the middle of 2001.

**Swaziland Railways (SR)** is a state owned company. It is understood that a privatization options study is being contracted and would be carried out in 2001. Further progress would take place after the government considers the consultant's recommendations.

**Tanzania Railway Corporation (TRC):** A study, funded by the World Bank, to evaluate the options for the privatization of TRC was carried out in year 2000. It recommended concessioning as the most suitable option. It appears that TRC and

the Ministry of Transport are not in full agreement with the consultant's recommendations with respect to the design of the rail concessions. The Ministry of Transport is currently preparing a Cabinet Note that will recommend the precise parameters for concessioning. After the cabinet approval of this note, the consultant would be asked to prepare the concession bid documents and commence the process for selecting concessionaire(s). The internal target for appointing one or more concessionaires is June 2002.

**TAZARA:** There is an agreement between the governments of Tanzania and Zambia (the equal owners of TAZARA) that TAZARA be privatized. It is understood that the two governments favour a Joint Venture with a private party in which such a party would hold a majority proportion of equity. It is understood that the Chinese government, that has funded the construction of TAZARA, also agrees with this approach. Shanghai Railway Company was appointed as a consultant to study and recommend the options and the process for joint venture route for privatization. The consultant is understood to have submitted its report to the Chinese government. Further steps would be taken after the Governments of Tanzania and Zambia receive and review the consultant's recommendations.

**Zambia Railways (ZRL):** Zambia Privatization Agency (ZPA), established under The Privatization Act, 1992, is spearheading the privatization of Zambia Railways Limited (ZRL). An independent consultant was engaged in early 1999 to recommend the best privatization option for ZRL (Private Sector Participation Study). Consultant's recommendation for three concessions covering long haul main line service, short haul inter-mine service and a passenger service was approved by the cabinet in March 2000. The next step for inviting bids for the three concessions is now in hand. The draft bid documents have been prepared and approved by ZPA and are now being reviewed by a committee of Ministers. It is expected that the bid invitation would issue in May/June 2001. It is anticipated that the process of concessioning ZRL would take about a year after issue of invitation for bids.

The privatization process for ZRL is being supported by SIDA and the World Bank. The SIDA assistance (US\$ 4.8 million grant funds) focuses on three components (a) support to the Government's policy in respect of privatization of the railway; (b) strengthening of the Board of ZRL; and (c) financing of a Management Team to manage the railway and assist in the privatization process. The management team was appointed in March 1998 and is expected to remain in place until the railway is concessioned, although its present term ends in September 2001. The World Bank loan (US\$ 27 million) funds advisory services for concessioning, staff redundancy, staff retraining and redeployment, asset rehabilitation and environment mitigation works, regulatory framework, winding up ZR and capacity building at Ministry of Communications and Transport. Bulk of the funding is for meeting the cost of staff rationalization, retraining and redeployment.

In anticipation of concessioning, ZRL has implemented a staff rationalization scheme during 1998-2000 and reduced staff from about 5880 to 3100. This staff reduction was achieved through internally generated funds, including local borrowing, and took place without industrial unrest or any adverse effect on company operations.

## **Zimbabwe**

**National Railway of Zimbabwe (NRZ)** commenced the process for the privatization, with the support of the World Bank, about five years ago. Several studies, funded by the World Bank, were carried out by consultants to support the process. Bids were invited in late 1998 for concessions based on a format that would separate the infrastructure of railways. The response to the bid invitation was good and over 10 bids were received. However, while the bids were under evaluation (December 1999), the Zimbabwe government decided not to pursue the NRZ concession process. As a result the World Bank withdrew its support to railways in Zimbabwe.

Zimbabwe has not enacted a privatization Act. The Privatisation Agency of Zimbabwe (PAZ) was set up in 1999 under a cabinet order and it has been assigned the task of managing the privatization of NRZ along with several other parastatals. PAZ has taken two actions with respect to NRZ. Firstly, the consultant that had carried out the original privatization options study for NRZ was retained to summarize and harmonize the recommendations of various studies carried out so far. Secondly, a seminar chaired by the Deputy Minister for MoTC and attended by various stakeholders was organized in December 2000 to arrive at a consensus for the scope and type of privatization of NRZ. A further consultative workshop was held with representatives of labor in January 2001 on the subject. The conclusion was that privatization of NRZ was the only option available to ensure its continued existence and provision of efficient and competitive rail transport services in Zimbabwe. The Tripartite Railway Committee (consisting of representatives of NRZ, Labor Unions and the Government) for railway restructuring had also been reactivated. It is expected that NRZ privatization process would recommence after approval of a policy paper to be submitted by MoTC to the cabinet based on the ongoing consultative process.

A new Board of Directors for NRZ was appointed in early 2001 and consists of representatives from users and professions. NRZ is suffering cash losses and now resorts to commercial borrowings. It has, over the years, reduced its staff strength from 17,000 to about 10,000. However, even now, staff costs account for over 70 percent of its expenses. Ministry of Finance that guarantees the NRZ borrowings is concerned at the very substantial debt carried by NRZ. The major costs prior to NRZ privatization would be for compensating redundant staff.

**Beitbridge Bulawayo Railway (BBR)** has been constructed on BOT basis and is concessioned for a period of 30 years. The concession was awarded on a negotiated basis and is held by NPLI (Pvt) Limited, an investment company. The

construction of the 350 km railway was completed in 16 months and opened to traffic in July 1999. The total cost of the project is approximately US\$ 85 million. This project has pioneered the BOT concept for infrastructure projects in Zimbabwe. The railway is operated by Beitbridge Bulawayo Railway (Pvt) Limited (BBR). The foreign investor holds 85% equity and the balance held by NRZ. BBR manages the railway with a small staff of 65 employees. It has contracted out the maintenance of railway infrastructure and the operation of the railway to Spoornet. BBR handled 1.5 million tons of traffic in the first year of its operation. As BBR offers a shorter route from Bulawayo to East coast South African ports than Botswana Railway, the latter has lost most of its transit traffic with the advent of BBR.

It was gathered that BBR is facing intense competition from the road sector and is, therefore, striving to compete on the basis of price as well as quality of service. It has already implemented a wagon tracking system and is thus able to keep its customers informed of the location and expected arrival time of wagons at destination. The transit times and wagon turn round has been reduced substantially. BBR believes that it has no option but to market its service over the entire corridor (DRC, Zambia, Zimbabwe and South Africa) and provide higher quality of service.

It is foreseen that BBR, as a private sector railway, is likely to set high standards of efficiency and service quality. It is also marketing its service aggressively and actively promoting the corridor concept in the region.

### **3. Conclusions and Recommendations**

#### **3.1 Conclusions**

##### **External Funding**

A review of the active initiatives reveals that by and large donor funding for infrastructure and operational improvements has dried up except for residual elements of old projects that also are closing during the current year. The only exceptions are funding of the Northern Line Extension in Namibia which has received commitment for funding from several donors and infrastructure improvement projects on TAZARA funded by China.

A large proportion of projects that are being funded by external donors relate to:

- Technical support for privatization process of railways (CFM,SR,TRC, TAZARA, and ZRL);
- Funding of cost of staff rationalization, redeployment and retraining (Mozambique and Zambia);
- Support for protocol implementation, capacity building in SADC States, SATCC and SARA, integration of rail transport, training etc.

It is noted that in recent years there is a distinct shift in the focus of external assistance to railways in the region from investments in infrastructure and operational improvements to support of privatization, funding for staff rationalization and measures for integration of rail services.

### **Railway Reform and Integration of Rail Network**

In terms of the Transport Protocol, Member States are required to commit to an economic and institutional restructuring of their railways. The Protocol lays down the regional railway policy for economic and institutional restructuring which shall include, inter alia, consideration of the following:

- according autonomy to railways...
- increasing private sector involvement in railway investment...
- enhancing operational synergy amongst the various railway service providers in the region; and
- promoting the establishment of an integrated transport system...

Amongst the conclusions reached at the SADC Railway Policy Options Workshop held in Pretoria in September 1996 and attended by representatives of all SADC states were the following:

- Some form and degree of privatisation is essential for SADC railways to achieve sustainable commercial viability.
- Concessioning is the preferred privatisation approach but the optimal form of concessioning may differ from railway to railway.

A review of the progress made in respect of railway reform in Member States shows that not all have taken steps towards privatization of railways. Furthermore, the railway concession process where started has moved at rather a slow pace. The main factors for no or slow implementation of railway reform policy enshrined in the protocol appears to be the lack of clear political support for privatization of railways and reduction in employment opportunities. It is noted that considerable delays took place at various stages of the railway concession process.

Contrary to experience in Africa and rest of the world, there is a misplaced hope in some States that internal restructuring of state owned railways would succeed in making them financially viable. There does not seem to be adequate appreciation of the negative economic implications for the State and the region of a railway that is financially nonviable, provides poor service and has deteriorating assets. An essential requirement for an efficient integrated rail network is that railways constituting the network must be capable of providing consistent high quality service that responds to customer needs. It is, therefore, imperative, that the pace of railway reform that permits private sector participation be accelerated.

Several railways in the region have carried out down sizing of staff strength in recent years (BR, Malawi Railway, Spoornet, TRC, TAZARA, ZR and NRZ). However, the staffing levels will need to come down further to improve productivity and financial performance of railways. In view of the human and social impact of the process it is essential that this be managed with care and in a planned manner.

### **3.2 Recommendations**

Financially viable and efficiently run railways are a prerequisite for an integrated rail network. This condition will be met when railways are privatized and operated efficiently on the basis of new investment and private sector management style and culture. For this to happen, States must generate political support for speedy railway reform as per the agreed terms of Protocol.

Rail privatization process must be accelerated to achieve the overall objectives for the transport sector that impact the competitiveness of regional and international trade of SADC Member States. Delay in privatization of a financially nonviable railway has serious consequences since its infrastructure and other assets continue to deteriorate and a stage may be reached that there are no takers when it is offered for privatization/concession. It is equally important that once the rail privatization process commences, it is carried through swiftly since much damage could take place during the transition due to uncertainties and low staff morale.

Rail privatization would succeed if adequately supported by measures that will provide a reasonable safety net for surplus staff. This includes generous compensation and measures for redeployment and retraining of affected staff. External funding is likely to be available to support such initiatives.

## QUESTIONNAIRE ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

Country:.....

Railway:.....

**Summary**

| S.No | Brief Description of the Initiative | Funded by | Value of funding<br>(US\$ million) |
|------|-------------------------------------|-----------|------------------------------------|
|      |                                     |           |                                    |
|      |                                     |           |                                    |
|      |                                     |           |                                    |

**Details of Each Initiative**

1. Description of the initiative/project

2. Main objectives

3. Likely benefits

(a) National

(b) Regional

4. Funding Agency

5. Total cost

a) External funding

b) Local funding

6. Implementation Status

(a) Planned duration

(b) Actual start date

(c) Planned end date

(d) Likely end date

(e) Progress so far

**ACTIVE RAILWAY INITIATIVES IN THE SADC REGION**

**Country: ANGOLA**

**Railway: CFB**

CFB did not respond to the request for information on active railway initiatives.

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

### Country: BOTSWANA Railway: Botswana Railways

#### Summary

| S.No | Brief Description of the Initiative           | Funded by                        | Value of funding (US\$ )                             | Status               |
|------|---|----------------------------------|--|----------------------|
| 1    | Infrastructure Rehabilitation                 | China and Government of Botswana | China (22 million) and Govt. of Botswana (9 million) | Completed March 2001 |
| 2    | Upgrading Of Signaling And Telecommunications | Government of Botswana           | 10 million   | Under preparation    |
| 3    | Commercial Exploitation Of BR Land            | Botswana Railways                | Not available  | Under preparation    |

#### Details of Each Initiative

##### Infrastructure Rehabilitation

The main objective is to replace the 40kg per meter jointed rails with 50kg per meter continuously welded rails. This will enhance safety, increase speed and improve passenger comfort. The project is estimated to cost US\$ 31 million and is partly funded by a Chinese loan to the tune of \$ 22 million and the rest funded by the Government of Botswana. The project was completed in March 31, 2001.

##### Upgrading Of Signaling and Telecommunications

This project is aimed at replacing the current Signaling system in use in BR, which has outlived its economic life and is no longer being manufactured. The project is estimated at US\$ 10 million (Pula 53.1m). It is expected that the Government of Botswana will finance the project. The feasibility studies were financed by USAID and Swederrail. BR is currently drawing specifications and tender documents.

##### Commercial Exploitation of BR Land

BR intends to commercially exploit the land under its ownership by going into (BOOT) joint ventures with the private sector. At the moment BR has awarded a 5 year contract for a Project Manager. The Project Manager will come up with a Discovery Document clearly outlining the feasibility and the investment options for each BR station. The Discovery Document will form the basis for tender documents.

#### Regional Implications

The improvement of infrastructure and signal and telecommunication systems would improve operational efficiency of the railway which in turn would benefit rail transport performance for the regional transit traffic over Botswana Railways.

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

**Country: DEMOCRATIC REPUBLIC OF CONGO**  
**Railway: Congolese National Railways Company (SNCC)**

### Summary

| S.No | Brief Description of the Initiative   | Funded by         | Value of funding (US \$) | Status           |
|------|---|-------------------|--------------------------|------------------|
| 1    | Modernization of telecommunications and rehabilitation of traction system   | Not funded so far | 19.6 million             | Awaiting funding |
| 2    | Track and engineering works   | Not funded so far | 54.15 million            | Awaiting funding |
| 3    | Acquisition and rehabilitation of locomotives, passenger coaches and wagons | Not funded so far | 71.72 million            | Awaiting funding |

### Details of Each Initiative

#### **Modernization of telecommunications and rehabilitation of traction system**

This proposed project consists of (a) improving telecommunications between Ndola and Lumumbashi; (b) improving telecommunications between Kamina and Kananga; (c) renewal of two electric traction power sub-stations with spare parts; and (d) replacing 140 km of overhead traction wire and damaged posts between Luisha and Tenke. The estimated total cost is US\$ 19.6 million includes US\$ 3.9 million local funding and the balance is to be funded externally. Funding sources are yet to be tied up.

#### **Track and engineering works**

This proposed project includes (a) improve track between Kalenda and Mwene (6 km) by increasing radius of curves, reducing grades and reduce probability of flooding and land slides; (b) complete renewal of overage and run down track for 319 km between Sakania and Mwene-Ditu; (c) repair and reinforcement of bridges, including painting of six bridges, reinforcing bridges to increase locomotive axle load from 16 to 19 tons and repair of bridges damaged by train accidents. The estimated total cost of the project of US\$ 54.15 million consists of equal parts of local and external funding. Funding sources are yet to be tied up.

#### **Acquisition and rehabilitation of locomotives, passenger coaches and wagons**

This proposed project consists of acquisition of (a) 10 main line diesel locomotives; (b) spare parts for the overhaul of electric locomotives; (c) 100 covered wagons; (d) 60 passenger coaches and spares; (e) spare parts to overhaul 10 shunting locomotives; and (e) maintenance vehicles for maintenance of overhead traction wire and track. Estimated project cost of US\$ 71.7 million includes US\$ 14.3 million external funds. Funding sources are yet to be tied up.

**Regional Implications**

These projects would improve safety and transit time for international traffic between Lumumbashi and Ndola with benefits in terms of wagon turnaround and utilization.

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

**Country: Malawi**

**Railway: The Central East African Railways Co. Limited**

### Summary

Railway in Malawi was concessioned in December 1999 and is now operated as The Central East African Railway Co Limited (CEAR) by a private sector company. CEAR is a joint venture between CFM and a consortium of investor companies (Sociedade Desenvolvimento do Corredor de Nacala). CEAR is making investments in the railway to improve infrastructure and other assets on a continuing basis.

The Ministry of Transport and Works, however, has the following projects in hand.

| S.No | Brief Description of the Initiative   | Funded by   | Value of funding (US\$) | Status                  |
|------|---|---|-------------------------|-------------------------|
| 1    | Training on Railway Regulation  | USAID, Malawi   | Not available           | Ongoing 2001            |
| 2    | Technical Assistance to Train the Railway Regulator and Review Safety Standards | RAPID (USAID)   | 100,000 (approx)        | Ongoing 2001            |
| 3    | Harmonization of the Institutional and Regulatory Framework                     | Public-Private Infrastructure Advisory Facility (PPIAF), The World Bank | Not available           | Likely start early 2002 |

### Details of Each Initiative

#### Training on Railway Regulation

The objective is to build capacity in the Ministry of Transport and Works for developing and managing railway regulation. The support included a visit of an official to regulatory agency in the US (FRA) and some railroads.

#### Technical Assistance to Train the Railway Regulator and Review Safety Standards

The objective is to provide hands on training to the Railway Regulator and assist in review of railway safety regulatory procedures and safety and technical standards. The training is expected to commence in May/June 2001.

#### Harmonization of the Institutional and Regulatory Framework

The objective of the PPIAF assistance to the Government of Malawi is harmonizing the competition policies, regulatory practices and associated institutional arrangements across key infrastructure sectors (rail and air transport, telecommunications, postal, power and water) and evaluate the advantages and disadvantages of accomplishing these objectives through the merger of existing regulators to create one or more multi-sector entity(ies). This assistance is likely to commence in late 2001 or early 2002.

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

**Country: MOZAMBIQUE**

**Railway: Mozambique National Ports and Railways (CFM)**

### Summary

| S.No | Brief Description of the Initiative     | Funded by      | Value of funding   | Status                            |
|------|---|----------------|--------------------|-----------------------------------|
| 1    | Rehabilitation of Limpopo Line          | USAID          | US \$50.0 million  | Ongoing<br>2000-2002              |
| 2    | Rehabilitation of Port of Quelimane     | KfW            | DM 23.0 million    | Ongoing,<br>completion by<br>2003 |
| 3    | Railways and Port Restructuring Project | The World Bank | US \$100.0 million | Ongoing<br>2000-2005              |

### Details of Each Initiative

#### **Rehabilitation of Limpopo Line**

The objective is to re-establish access to and use of the Limpopo line linking port of Maputo to Gaza and Zimbabwe, through the reconstruction of 225 kilometers of track damaged in floods and cyclone in 2000. The project includes Construction Management Services, Construction services and Project Support and is planned for completion in 24 months, ie by the end of 2002. Tenders for construction services have been issued and work is expected to commence by mid 2001.

#### **Rehabilitation of Port of Quelimane**

The objective is to rehabilitate the port of Quelimane and promote the establishment of a private port operator and support the economic development of Zambezia Province. This will reduce the economic imbalance between the Southern and North/Central Mozambique and integrate Zambezia province into the international economy. Project includes rehabilitation of quay sub-structure, pier deck reconstruction, repair of power supply system, renovation of buildings, dredging and establishment of a private port operator. Execution of this project is expected to commence from September 2001.

#### **Railways and Port Restructuring Project**

The main objective is to substantially increase the operating efficiency of three port-rail systems and enable increase their share in international traffic with neighboring countries. The project includes advisory services in concessioning, staff rationalization including redundancy and redeployment issues, spin off of CFM's commercial activities, strengthening of Ministry of Transport and Communications, development of regulatory framework for the transport sector and rehabilitation of small ports. The project was approved in 2000 and is to be completed in five years ie by mid 2005.

**Regional Implications**

The expected increase in operating efficiency of CFM (railways and ports) would have a profound beneficial effect on the regional transport scenario. The ports of Maputo, Beira and Nacala with the connected railways serve not only Mozambique but also Swaziland, South Africa, Zimbabwe, Zambia and Malawi. Thus transit time, safety and wagon turnaround and utilization for international traffic would improve.

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

**Country: NAMIBIA**  
**Railway: TransNamib Holdings Ltd**

### Summary

| S.No | Brief Description of the Initiative | Funded by  | Value of funding (US\$)  | Status  |
|------|-------------------------------------|--|--|---|
| 1    | Northern Railway Extension          | Government of Namibia, BADEA, Kuwait Fund and African Development Bank | 55.0 million (Government 8.4, Kuwait Fund 20.3, BADEA 7.5, and ADB 18.7) | 2000-2004<br>Design commenced in Dec. 2000. Construction to commence from July 2001. Completion 2004. |
| 2    | Aus-Luderitz Upgrading Project      | Government of Namibia  | 19.5 million   | 2000-2004<br>Design in progress, construction to commence from April 2001                             |

### Details of Each Initiative

#### Northern Railway Extension

Objective is to expand the economy of the northern region by building a rail link from Tsumeb to Oshikango on the Angolan border. This will also strengthen ties with Angola and eventually provide connectivity with the Angola Railway System (CFM). The project construction is scheduled to commence in July 2001 with completion planned for July 2004.

#### Aus-Luderitz Upgrading Project

Objective is to provide a rail link with port of Luderitz and hinterland of southern Namibia that would also support the local mining industry. The project construction is scheduled to commence from April 2001 and completion planned for October 2004.

#### Regional Implications

Northern railway extension has the potential of eventually providing rail connectivity between Namibia/ SADC rail system and Angola. Upgrading of Luderitz line will provide a rail connection to an alternative port than Cape Town and Saldanha to Northern Cape province of South Africa.

**ACTIVE RAILWAY INITIATIVES IN THE SADC REGION**

**Country: SOUTH AFRICA**

**Railway: SPOORNET**

SPOORNET did not furnish the requested information as it considers it confidential.

**ACTIVE RAILWAY INITIATIVES IN THE SADC REGION**

**Country: SWAZILAND**

**Railway: Swaziland Railways**

Swaziland Railway did not furnish the requested information..

**ACTIVE RAILWAY INITIATIVES IN THE SADC REGION**

**Country: TANZANIA**  
**Railway: Tanzania Railway Corporation**

**Summary**

| S.No | Brief Description of the Initiative    | Funded by                                    | Value of funding            | Status                 |
|------|--|--|-----------------------------|------------------------|
| 1    | Rehabilitation of Shunting Locomotives | Dept. for Intl. Development (United Kingdom) | Pounds Sterling 2.1 million | Ongoing ends Dec.2001  |
| 2    | Transport Rehabilitation Project       | The World Bank                               | US\$ 76 million             | Ongoing ends Dec. 2001 |
| 3    | Railway Telecommunication Project      | KfW  | US\$ 8 million              | Ongoing ends Dec. 2001 |

**Details of Each Initiative****Rehabilitation of Shunting Locomotives**

The objective was to improve operational performance through rehabilitation of shunting locomotives. The project is near completion.

**Transport Rehabilitation Project**

The objectives include strengthening of TRC's organization and set it on a path for financial viability, rehabilitate infrastructure assets, replace some operational assets, limited investments on new assets consistent with traffic growth and support comprehensive restructuring program. But for a small portion of bridge rehabilitation, the project is complete and will close at the end of 2001.

**Railway Telecommunication Project**

The objective is to improve operational efficiency and performance through setting up of a telecommunication network (Morogoro-Dodoma). The project is nearing completion.

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

**Country: Tanzania and Zambia**  
**Railway: Tanzania Zambia Railway Authority**

### Summary

| S.No | Brief Description of the Initiative         | Funded by | Value of funding (US\$) | Status            |
|------|---|-----------|-------------------------|-------------------|
| 1    | Continuous rail welding project             | Austria   | 30 million              | Ongoing 1994-2001 |
| 2    | Concrete sleeper plant                      | China     | 4 million               | Ongoing 2000-2002 |
| 3    | Rehabilitation of telecommunications system | China     | 17.7 million            | Ongoing 2000-2001 |
| 4    | Installation of microwave system            | China     | 2.2 million             | Ongoing 2000-2002 |

### Details of Each Initiative

#### **Continuous rail welding project**

Continuous welding of 12.5m rails to 670m panels starting from Dar es Salaam. The objectives are reduced maintenance cost, improved track quality, higher speeds and better riding comfort. 605 km of track has been welded so far. Local funding is US\$ 2.9 million.

#### **Concrete sleeper plant**

Objective is to set up internal capacity to manufacture pre-stressed reinforced concrete sleepers (import substitution) to meet track maintenance needs and possible export. Local funding is US\$ 2.0 million.

#### **Rehabilitation of telecommunications system**

The objective is to improve telecommunication facilities and through it improve operational efficiency of the railway. Investment is directed for rehabilitation of outdated equipment, installation of new digital exchanges, telephones, cables and carrier equipment. Local funding is US\$ 0.15 million.

#### **Installation of microwave system**

The objective is to improve operational efficiency through improved communication system. Investment is for replacing open wire system with a digital microwave communication system. This project covers about 352 km of line. Local funding is US\$ 0.24 million.

### Regional Implications

The above initiatives are expected to improve the operational efficiency of TAZARA which in turn would benefit rail transport performance over corridors connecting TAZARA.

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

**Country; ZAMBIA**  
**Railway: Zambia Railway Limited**

### Summary

| S.No | Brief Description of the Initiative                            | Funded by      | Value of funding (US\$) | Start Date   |
|------|--|----------------|-------------------------|--------------|
| 1    | Zambia Railway Restructuring Project                           | The World Bank | 27 million              | January 2001 |
| 2    | Support for Restructuring and Privatization of Zambia Railways | SIDA           | 4.8 million             | January 1998 |

### Details of Each Initiative

#### **Zambia Railway Restructuring Project (The World Bank)**

The project objectives include restructuring and privatization of Zambia Railways, substantial increase in operational efficiency, reduced operational costs, improved services, increase in market share for local, international and transit traffic. The ZR-linked international corridors becoming more efficient and cost effective would lead to increase in trade between countries along these corridors, viz., South Africa, Mozambique, Zimbabwe, Zambia, Congo, Botswana, Uganda, etc.

The project would fund advisory services for concessioning, staff redundancy, staff retraining and redeployment, asset rehabilitation and environment mitigation works, regulatory framework, winding up ZR and capacity building at Ministry of Communications and Transport.

#### **Support for Restructuring and Privatization of Zambia Railways (SIDA)**

The project objective is to establish an efficient and sustainable railway system in Zambia. It covers three components (a) support to the Government's policy in respect of privatization of the railway;

(b) strengthening of the Board of ZR; and (c) financing of a Management Team to manage the railway and assist in the privatization process.

### Regional Implications

Both the initiatives above are expected to make the regional rail corridors passing through Zambia more efficient and cost effective and thus help increase trade within the region as also between the region and other countries

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

**Country: ZIMBABWE**  
**Railway: National Railways of Zimbabwe**

### Summary

| S.No | Brief Description of the Initiative                                     | Funded by                | Value of funding (US\$)                   | Status            |
|------|---|--------------------------|---|-------------------|
| 1    | Replacement of CTC on Harare-Mutare section                             | African Development Bank | 7.0 million (6.0 m external+ 1.0 m local) | Ongoing 1997-2001 |
| 2    | Refurbishment of 9 DE6 locomotives                                      | The World Bank           | 3.5 million                               | Ongoing 1992-2002 |
| 3    | Extend electrification from Harare to Msasa                             | The World Bank           | Not available                             | Ongoing 1997-2001 |
| 4    | Replacement of rail on Theydon-Matinidza section on Harare-Mutare route | Zimbabwe Government/NRZ  | 4.0 million                               | Ongoing 1997-2003 |
| 5    | Refurbishment of IGC wagons   | NRZ                      | 1.0 million                               | Ongoing 1999-2009 |
| 6    | Concrete resleepering of Seki-Chinhoyi-Zave section                     | Zimbabwe Government/NRZ  | 1.0 million                               | Ongoing 1999-2004 |

### Details of Each Initiative

#### **Replacement of CTC on Harare-Mutare section**

Aims at improving railway operations and safety. Covers replacement of existing CTC signalling equipment with a single CTC panel control. The benefits include improvement in transit time and elimination of delays. Project is about 50% complete.

#### **Refurbishment of 9 DE6 locomotives**

Improve performance of shunting locomotives and reduce operating costs. Ten engines have been procured and refurbishment of 5 locomotives completed. Funding from an old World Bank loan that has since closed.

#### **Extend electrification from Harare to Msasa**

Improve operational efficiency and reduce costs by minimizing double handling of traffic from Dabuka towards Mutare/Beira. Materials procured under an old world bank loan that has since closed. Project completion extended from 2000 to 2001.

#### **Replacement of rail on Theydon-Matinidza section on Harare-Mutare route**

Increase efficiency and safety on the route by upgrading rail from 40 to 45 kg/m and raise axle load from 16.2 to 18.6 tons on this 70 km section. Completion date extended from 1998 to 2003 due to paucity of funds.

**Refurbishment of IGC wagons**

Aims at reducing need for hire of wagons by refurbishing 3000 IGC wagons over a 10 year period. The life of wagons would be extended by 15 years. Due to lack of funding only about 150 wagons have been refurbished so far.

**Concrete resleepering of Seki-Chinhoyi-Zave section**

Upgrading of track to main line standard including replacement of wooden with concrete sleepers. Materials (rail, sleepers and fastenings) for 11 km out of 25 km have been received.

**Regional Implications**

Some of the initiatives above are expected to make the regional rail corridors passing through Zimbabwe more efficient and cost effective and thus help increase trade.

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

**Country: REGIONAL**

**Institution: Southern African Railways Association**

### Summary

| S.No | Brief Description of the Initiative                 | Funded by | Value of funding (US\$) | Status                                |
|------|---|-----------|-------------------------|---------------------------------------|
| 1    | The Rolling Stock Information System Project (RSIS) | USAID     | 12.1 million            | Ongoing - Completion expected in 2002 |
| 2    | Regional Track Maintenance Training Project         | Austria   | 150,000                 | Ongoing , 1999-2002                   |

### Details of Each Initiative

#### **The Rolling Stock Information System Project (RSIS)**

The objective is to enable SADC railways to operate as an integrated regional transportation system offering a seamless and cost-effective service to the customer through the ability to track traffic movement in real time. It will also improve asset utilization, viability and overall efficiency of the railways. RSIS provides a real-time rolling stock tracking system covering the seven Southern African development Community (SADC) Railways of Botswana, Malawi, Mozambique, Swaziland, Zambia, Zimbabwe and the Tanzania-Zambia Railway Authority. In addition it provides off-line database both domestically and regionally for the computation of operating statistics and reconciliation of wagon hire account. The project includes provision and installation of hardware, software, communication equipment and training. The project is expected to be completed by the end of 2002.

#### **Regional Track Maintenance Training Project**

This project promotes the systematic track maintenance on SADC railways. The support is for developing maintenance management and consolidation of real time track condition assessment. The current phase is scheduled to be completed in March 2002.

#### **Regional Implications**

Both the projects are regional in nature. RSIS will help in the integration of rail services in the region, help improve efficiency of utilization of rolling stock and provide accounting services for rolling stock hire between railways. The track maintenance training is expected to help improve track condition resulting in higher average speeds and improved safety.

## ACTIVE RAILWAY INITIATIVES IN THE SADC REGION

**Country: REGIONAL**

**Institution: Southern Africa Transport and Communications Commission-TU**

### Summary

| S.No | Brief Description of the Initiative   | Funded by                        | Value of funding  | Status            |
|------|---|----------------------------------|-------------------|-------------------|
| 1    | Regional Activity to Promote Integration Through Dialogue and Policy Implementation (RAPID) | USAID                            | US\$ 30.0 million | Ongoing 2000-2005 |
| 2    | Technical Assistance  | African Development Bank         | US\$ 2.0 million  | Ongoing 2001-2003 |
| 3    | Technical Assistance on Capacity Building   | European Community               | ECU 4.0 million   | Ongoing           |
| 4    | Railway Training  | GTZ                              | US\$ 1.0 million  | Ongoing           |
| 5    | Support for Transport Investors Forum   | Development Bank of South Africa | Rand 0.5 million  | Ongoing 2001      |
| 6    | Support for Investors Forum and Studies   | The World Bank                   | US\$ 0.2 million  | Ongoing 1999-2001 |

### Details of Each Initiative

#### **Regional Activity to Promote Integration Through Dialogue and Policy Implementation (RAPID)**

The objective of RAPID is to provide quick-response, short-term technical services to support policy analysis, policy dialogue, and the implementation of policy changes within SADC Member States. It assists further integration of SADC member in the critical area of market integration. In the transport sector, RAPID provides technical support for the implementation of protocols for the reform of the sector and responds to urgent needs to accelerate the process of change. Specific objectives for the transport sector include (a) developing regional and national capacity to implement and monitor compliance with the protocol; (b) Adapt model legislation to individual member states; (c) provide support at national level for concessioning of railways; and (d) build public-private partnership and capacity to engage in policy dialogue and implementation. SATCC-TU is an important partner of the RAPID activity.

#### **Technical Assistance**

The project renders technical assistance to SATCC in four areas; Institutional strengthening, HIV prevention initiatives on Beira corridor targeting in particular rail and road vehicle crews, enhancing road safety on the Beira corridor, and promote transit facilitation by developing performance indicators and a manual for documentation at border posts.

**Technical Assistance on Capacity Building**

The objective is to build capacity in the areas of project management and suggest measures for improving performance of rail and road corridors through use of one stop border posts and private sector partnership in managing border posts.

**Railway Training**

The objective is to strengthen human resource development in the railway sub-sector.

**Support for Transport Investors Forum**

DBSA is funding the services of a project coordinator for the Transport Investors Forum scheduled to be held in April 2001.

**Support for Investors Forum and Studies**

The World Bank supported the preparation of a document 'Transport Corridor Agenda' that takes stock of the performance of existing corridor system and identifies actions required to improve its efficiency. It also supports work in preparation of documents for the Investment Forum.

**Regional Implications**

All the above projects are regional in nature and support policy and implementation issues related to the transport sector. In particular they promote market integration, technical support for the implementation of protocols for the reform of the sector, capacity building in Ministries and SATCC-TU, human resource development and promoting private sector investment.